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Report of the Secretary-General

Summary

The world economy is in the most severe financial and economic crisis since the Great Depression. Virtually all economies will see a marked slowdown in 2009, with the contraction in developed economies translating into weaker growth in all other countries. The slowdown is being rapidly transmitted through trade, which it is estimated will decline by roughly 9 per cent in 2009. Unemployment rates are rising in many countries, straining national budgets and putting pressure on household disposable incomes. In many developing countries, the negative impact of the crisis on employment constitutes a major setback in efforts to achieve the Millennium Development Goals, in particular the goal of eradicating extreme poverty and hunger. The impact of the global financial and economic crisis seems to have exacerbated the effects of the earlier food and energy crises, which, according to some estimates, pushed between 130 million and 155 million people into poverty.

The present report analyses the impacts of those trends on social development, focusing on poverty and hunger; social cohesion; public spending on social areas, such as social protection, safety nets, education and health; job security; and food security. The report pays special attention to the implications of the current trends for health-related goals and makes a number of recommendations on how to deal with the attendant challenges.

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I. Introduction

1. The present report focuses on (a) current global and national trends, especially in the wake of the global financial and economic crisis and fluctuations in the prices of fuel and food; (b) how those trends are having an impact on social development; (c) the specific implications of those trends for the pursuit of public health goals, including the realization of the objective of "Health for All" articulated strongly by the World Health Organization; and (d) how to address emerging challenges in the short, medium and long term.

2. The present report should be read in conjunction with the report of the Secretary-General for the annual ministerial review on the theme "Implementing the internationally agreed goals and commitments in regard to global public health".

II. Current trends

3. The world economy is in the most severe financial and economic crisis since the Great Depression. After several years of robust global growth, the world economy is forecast to contract by about 2.0 per cent in 2009. Under a more pessimistic scenario, however, gross world product is anticipated to decline by 3.5 per cent this year.[1] Virtually all economies will see a marked slowdown in 2009, with the contraction in developed economies translating into weaker growth in all other countries. Of particular concern is the fact that growth in many developing countries will fall below the level that is needed in order to make meaningful progress towards achieving the Millennium Development Goals.

4. A sharp decline in international trade flows, a collapse in commodity prices, a drop in international tourism and a moderation in remittances have contributed to a significant deterioration in the current-account balances of many developing countries. At the same time, there has been a substantial reversal of capital flows to emerging countries, which combined with a surge in external financing costs, is hampering investment activities, creating downward pressure on national currencies and leading to balance-of-payments crises in many emerging economies.

5. The global slowdown is being rapidly transmitted through trade. The World Trade Organization estimates that the volume of global exports will decline by roughly 9 per cent in 2009, with exports from developed economies falling by some 10 per cent on average and exports from developing countries shrinking by 2-3 per cent.

6. An additional constraint on economic activity stems from the tight conditions in corporate credit markets. Retail businesses and industrial firms are finding it increasingly difficult to finance their business operations in view of tighter lending conditions, in many cases threatening their existence and jeopardizing millions of jobs. Consequently, unemployment rates are rising in many countries, straining social expenditures and putting pressure on household disposable incomes, which could lead to further economic contraction as a result of continued tightening of household spending. In many developing countries, the negative impact of the crisis on employment constitutes a major setback to efforts to achieve the Millennium

[1] "World economic situation and prospects as of mid-2009", forthcoming from the Department of Economic and Social Affairs.

Development Goals, in particular the goal of eradicating extreme poverty and hunger. Preliminary estimates by the International Labour Organization in late 2008 indicated that the number of unemployed would rise from 179 million in 2007 to 203-231 million in 2009.[2]

7. According to the vulnerability assessment by the World Bank, about 40 per cent of developing countries are highly exposed to the poverty effects of the financial crisis, while an additional 56 per cent of countries are moderately exposed. Only one quarter of the exposed countries have a reasonable fiscal capacity to undertake counter-cyclical spending. Moreover, one third of those countries with reasonable fiscal capacity are aid-dependent and will require external support to finance increased spending. Three quarters of the exposed countries have limited fiscal capacity and require assistance to protect poor households.[3]

8. Oil prices averaged about $94 per barrel for 2008, and average prices are likely to be about $50 per barrel during 2009. The Organization of the Petroleum Exporting Countries estimates that oil revenues for its States members will total $400 billion, less than half their 2008 value of $900 billion. That will have a negative impact on fiscal and current-account balances in those countries and on their ability to fund social development activities. On the other hand, it will ease the pressure on the budgets of oil-importing countries.

9. Although they remain relatively high and volatile, agricultural commodity prices have fallen significantly since mid-2008. The food price index of the Food and Agriculture Organization of the United Nations has fallen over 34 per cent, from a peak of 214 in June 2008 to 141 in March 2009. The financial crisis, and more significantly, the global recession have contributed to the significant fall in agricultural commodity prices. Despite the decline in international prices, domestic food prices remain very high in several developing countries, affecting the access of low-income population groups to food.

10. Meanwhile, the threat of climate change looms large. A number of recent studies have pointed out that the pace of change is much faster than earlier predicted. While efforts towards the realization of commitments made under the Kyoto Protocol to the United Nations Framework Convention on Climate Change continue, negotiations have started on the next step of the agreement to be reached in Copenhagen in December 2009. All evidence points to the need for significant collective action to reduce greenhouse gas emissions and the need to reach a comprehensive agreement at Copenhagen that includes the environmental and developmental challenges of addressing climate change.

11. In the current time of great uncertainty, it was reassuring that the leaders of the Group of 20 expressed at the recent London summit their commitment to fight against protectionist pressures and to maintain their efforts towards achieving the Millennium Development Goals. In particular, they made a strong commitment to support social protection and to build a resilient, sustainable and green recovery.

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[2] International Labour Organization, *Global Employment Trends for Women* (Geneva, International Labour Office, March 2009).

[3] Louise Cord and others, "The global economic crisis: assessing vulnerability with a poverty lens", policy note (Washington, D.C., World Bank, 2009).

III. Impact of current trends on social development

A. Effect on poverty and hunger

12. With lower economic growth, estimates from the World Bank for 2009 suggest that 46 million more people will fall below the $1.25-a-day poverty line and an extra 53 million people will be trapped on less than $2 a day, compared with the estimates from before the crisis unfolded.[4] The global financial and economic crisis has been superimposed on the rapid surge in food and energy prices experienced in 2008, which pushed between 130 million and 155 million people into poverty.[5]

13. High food prices have caused severe damage to health and nutrition levels and have increased the vulnerability of poor rural households. The global financial and economic crisis is another shock that is likely to have severe implications for hunger across the globe. According to the Food and Agriculture Organization of the United Nations, higher food prices pushed 115 million people into hunger in 2007 and 2008, increasing the total number of people suffering from hunger and malnutrition to 963 million people.

14. Amid such conditions, there is serious doubt regarding the achievement of the Millennium Development Goal of halving extreme poverty and hunger in the world by 2015. The financial and economic crisis is likely to affect all income groups, while high food prices will particularly impact the poorest segments of society. The urban poor are probably most at risk because of the impact the crisis will have on employment, especially in income-sensitive sectors such as construction, manufacturing and tourism, as well as on wages. Government expenditures and social protection systems. Rural areas are likely to be most affected by a decline in the volume and price of commodities produced in rural areas and by lower transfers from urban areas or overseas.

B. Effect on social cohesion

15. During the current time of economic hardship, social cohesion is under threat, with rising social tensions, an increase of violence in general and an increase in violence against women in particular. Violence against women reduces the capacity of victims/survivors to contribute productively to the family, the economy and public life, as noted in the in-depth study of the Secretary-General on all forms of violence against women.[6] It also drains resources from social services, including health-care agencies, the justice system and employers and lowers the overall educational attainment, mobility and innovative potential of the victims/survivors, their children and even the perpetrators of such violence. Researchers have

[4] World Bank, "Crisis hitting poor hard in developing world", press release, 12 February 2009.

[5] It should be noted that the use of purchasing power parity exchange rates may seriously underestimate the impact of the food crisis on poverty.

[6] A/61/122 and Add.1 and Add.1/Corr.1.

conservatively estimated the global costs of violence against women to be in the billions of dollars annually.[7]

16. Moreover, increased unemployment, rising poverty and a general sense of despair can potentially give rise to social conflict. Tensions between national and migrant populations may result. Migrants are at risk of becoming scapegoats in times of crisis, amid rising resentment against foreign workers. Lack of social cohesion is likely to undermine efforts to deal with the consequences of those crises and efforts to realize the Millennium Development Goals. Governments will need to ensure that efforts to address unemployment and rising poverty also promote social cohesiveness, as social integration is essential for achieving the Millennium Development Goals.

C. Public spending on social areas

17. The economic consequences of the current global financial and economic crisis will have serious negative impacts on social development, in particular on progress towards health-related and other Millennium Development Goals. Fiscal pressures in affluent countries may prompt cuts in official development assistance, which is an important source of health financing for many of the poorest countries. There are also the fiscal costs of adaptation to climate change, for which aid resources may be diverted. Fiscal revenues of low-income countries will also fall as a result of the economic downturn, which could force their Governments to cut back on social spending, with long-lasting effects on human development. Therefore, a conscious effort must be made to maintain or direct massive resources for public investments in infrastructure, food production, education and health in order to achieve the Millennium Development Goals.

18. In response to the crisis, a few countries, including developing countries, have increased spending on education and health by either creating new programmes or increasing funding for old programmes (see boxes I and II below). Furthermore, school and hospital construction is part of the rural development programmes of several countries.

[7] Tanis Day, Katherine McKenna, and Audra Bowlus, *The Economic Costs of Violence against Women: An Evaluation of the Literature* (2005), compiled in preparation for the in-depth study of the Secretary-General on all forms of violence against women (http://www.un.org/womenwatch/daw/vaw/expert%20brief%20costs.pdf).

Box I
South Africa

The Government of South Africa has introduced an expansionary budget, with the budget deficit set to rise to 3.9 per cent of gross domestic product (GDP) as a countermeasure to grim economic prospects, while it maintains the course on longer-term development challenges. On the education front, the Government will make an additional R 8.1 billion available for hiring additional teachers and improving the remuneration of teachers. In addition, R 4 billion will be added to the school nutrition programme. On health services, a new unit to address the quality of service provision, the National Office for Standards Compliance, will be established. An additional R 1.8 billion will be available for the introduction of three new vaccines for children. Spending on HIV/AIDS programmes will exceed R 5 billion by 2009/2010. A further R 5.3 billion will be available for improving remuneration for health workers and increasing staff levels.

Source: Trevor A. Manuel, Minister of Finance, South Africa, budget speech 2009, 11 February 2009.

Box II
China

The Government of China introduced a stimulus package of RMB 4 trillion ($586 billion), an amount equivalent to 15 per cent of GDP, in November 2008. The spending is to be spread over two years. By March 2009, the Government had reviewed its plan and decided to place more emphasis on social welfare projects, rural development and technology advancement. Public infrastructure, such as railway, road, irrigation and airport construction projects, is allocated the largest share, of 38 per cent. The second largest share, of 25 per cent, is allocated to reconstruction in regions hit by the Sichuan earthquake in May 2008. Social welfare projects, including the construction of low-cost housing, the rehabilitation of slums and other social safety net projects, follow, with an allocation of 10 per cent. Rural development and technological advancement share the same allocation of 9 per cent each. As China is the third-largest economy in the world, sustaining economic growth at a reasonably robust level would contribute towards cushioning the impact of the global slowdown.

Sources: *Financial Times*, 10 November 2008; *The Economic Observer Online*, 7 March 2009.

19. Any reduction of social spending has a disproportionate impact on women and girls. Additionally, women and girls are negatively affected by reductions in social services and protection programmes, such as in the areas of education and health. Adverse impacts on women in terms of health, nutrition and education will also have much greater intergenerational consequences.

20. In the formal sector, where social protection measures are linked to individual contributions by employees, there is a bias against women, owing to gender wage gaps and the fact that women spend less time in formal employment as a result of interruptions for childbearing and childcare. Some Governments have addressed the disadvantages experienced by working mothers through the allocation of minimum pensions, redistribution towards low-income groups and credits given for years spent caring for children.[8] Such efforts could be curtailed in a time of economic downturn, however. In addition, displacement from (or substantially reduced income in) the formal sector pushes people into informal sector activities, which may increase supply but potentially reduce incomes. It is imperative to have a properly designed social safety net, which should provide a predictable set of institutionalized mechanisms to help households in distress cope with shocks.

21. The impact of the current economic crisis is further felt on national pension systems. Ageing populations and weak administration, combined with early retirement and unaffordable benefits, place extra burdens on both pension balances and overall public finances. In developing countries, already limited coverage of pension systems leaves the majority of the older population without social protection.

22. Although the importance of public spending on social areas is well recognized, many Governments have limited options, owing to decreasing Government revenues and increasingly difficult debt financing. Moreover, if rapid inflation — as in the past two years — is factored in, public spending on social development is on the verge of stagnation in real terms. While social aid funds have been established in several countries, fiscal austerity is likely to affect the endowment of such funds.

D. Job security

23. Job losses are also increasing rapidly, with further layoffs already announced in industrialized and developing economies. As noted earlier, preliminary estimates from the International Labour Organization indicate that the number of unemployed will rise to between 203 million and 231 million in 2009. In Organization for Economic Cooperation and Development countries, unemployment rates were already 6.8 per cent in December 2008, 1.1 percentage point higher than a year earlier. In developing countries, at least 50 million jobs are likely to be lost in 2009. As more than half of the workforce of developing countries is already employed in conditions that fall short of decent work, the potential impact of the economic crisis on the livelihoods of the working poor will be much deeper than is reflected in a rise in unemployment rates. The rate of underemployment is also expected to increase sharply.

[8] Emily Esplen, *Gender and Care: Overview Report*, BRIDGE, Institute of Development Studies, University of Sussex, Brighton, United Kingdom, February 2009.

24. Volatility in financial markets has particularly harmful effects on prospects for decent work. It should be noted that, even during the recent economic expansion, average real wages stagnated or fell. Past experience shows that the most vulnerable are the most affected during a downturn, through job losses and cuts in wages.[9]

25. There are numerous gender differentials related to decreased job security. Women have less job security than men, as they are more often employed in the casual and informal sector. When job security is reduced and incomes fall, girls are more likely to be withdrawn from school to contribute to household and on-farm labour. That creates a long-term deficit and imbalance in the human resource base, making it more difficult for countries to recover from economic crisis. Job loss creates poverty, and women and girls are more likely to be trafficked if family incomes disappear and subsistence thresholds are not met. In addition, women and girls who lose their livelihoods are often forced into transactional sex for food, shelter and goods, creating increased risks to their sexual and reproductive health as well as increased risks of gender-based violence, unwanted pregnancies and HIV infection.

26. Concerning migrant workers, there have been advances in international cooperation and the normative framework related to social development, including, for example, the establishment of the Global Forum on Migration and Development, which are placing the challenges and benefits of international migration and development at the forefront of the development agenda. In economic downturns, however, migrant workers are among the first to lose their jobs. Countries have taken action in order to protect their national labour markets from the impact of the financial crisis, with deleterious effects on migrant workers. Rising unemployment among immigrant populations also affects the level of remittances sent home.

E. Food security

27. There are serious concerns that the international community will become more sanguine about the food crisis, which is far from over. Food shortages are likely to resurface. It is therefore imperative that the commitments made to address the food crisis, including the impetus for strengthening the agricultural sector, be adhered to by all. Failure to do so may have serious development implications on nutrition, public health, trade and the environment. In 2008, the number of people suffering from chronic hunger reached 963 million, 70 per cent of whom lived in rural areas. At least half of the approximately 10 million child deaths that occur every year are linked to hunger and malnutrition. Structural problems, such as the lack of access to land, technology, markets, infrastructure, credit and risk-reducing mechanisms, remain major constraints for many smallholders to increasing their production.

28. The global food security crisis endangers the lives of millions of people, particularly the world's poorest, who live in countries already suffering from acute and chronic malnutrition.[10] Among the most vulnerable are women and children under 5 who suffer from diseases resulting from malnutrition and the consistent, irreversible physical and mental damage that affects them throughout their lifetimes.

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[9] International Labour Organization, International Institute for Labour Studies, *World of Work Report 2008: Income Inequalities in the Age of Financial Globalization*.

[10] See World Health Organization (http://www.who.int/food_crisis/en/).

Women have unequal access to income and credit facilities, which are essential to ensure access to an adequate, diverse and nutritious diet.

29. The macroeconomic impacts of the financial and economic crisis in developing countries will also have significant negative effects on their agriculture sectors and food security. The extent of the impact in developing countries will depend not only upon the aggregate slowdown in growth rates but also upon their difficulties in borrowing and their increasing dependence upon international credit and transfers to finance food imports and agricultural development.

30. Recognizing the urgency of addressing food security, world leaders gathered at the High-Level Meeting on Food Security for All, held in Madrid on 26 and 27 January 2009, where they renewed commitments to halve the number of undernourished people in the world by 2015, as reflected in Goal One of the Millennium Development Goals.

31. The Madrid meeting reaffirmed international commitments to substantially increase financial resources and official development assistance. The meeting also underscored the urgent need to identify financing gaps and the additional resources needed for existing anti-famine mechanisms. In total, $5.5 billion was pledged. Between the Madrid meeting and the High-level Conference on World Food Security, held in Rome from 3 to 5 June 2008, the international community has raised $23 billion.

F. Malnutrition and health challenges

32. Inadequate dietary intake and disease are the immediate causes of malnutrition. Inadequate food consumption heightens vulnerability to infectious diseases, which in turn can keep the body from absorbing adequate food. Those immediate causes stem from insufficient access to safe and wholesome food, poor maternal and child-rearing practices and inadequate access to clean drinking water, safe sanitation and health services. Food insecurity, ill health and suboptimal caring practices are all closely related to poverty. Poor people generally consume fewer than 2,100 calories per day. Lower-income households experience significantly higher rates of stunting and illness among preschool children and worse care practices than better off families. Taken together, chronic and acute child malnutrition, low birth weights, suboptimal breastfeeding and micronutrient deficiencies lead to the deaths of 3.6 million mothers and preschool children each year, accounting for 35 per cent of all preschooler deaths and 11 per cent of the global disease burden. Difficult pregnancies and illnesses caused by malnutrition cost developing countries $30 billion annually. The combined food and financial crises are likely to cause greater micronutrient deficiencies and increased instances of wasting, stunting and underweight.

33. Increased food prices have led to reductions in dietary quality, even among populations not normally considered food insecure; dietary quality deteriorates before dietary quantity. That dietary change is severely affecting the health and nutritional status of hundreds of millions of people, owing to the rapidly increasing prevalence and severity of micronutrient deficiencies among economically disadvantaged groups.

34. Older people have also been affected by the food crisis. Many older people cannot obtain decent work and lack basic income, making them one of the social groups that have been most vulnerable to the food crisis. They frequently have diets and eating habits that are different from those of younger people, with increasingly specific nutritional requirements in order to maintain organ systems with declining functionality. The elderly have more limited ability to access food in times of scarcity and high prices. In the absence of social safety nets, the most economically vulnerable, including the elderly, are hit first and perhaps the hardest.

IV. Specific implications for public health[11]

35. The current crisis comes at a time when public health is at a crossroad. There has been significant progress towards the Millennium Development Goals. Child mortality has been reduced; treatment and prevention have improved for HIV/AIDS, tuberculosis, malaria, poliomyelitis and neglected tropical diseases; and primary education, which has a major long-term effect on health, has significantly expanded. Many challenges remain, however. Little progress has been made in maternal and newborn mortality, especially in Africa; nutrition has been relatively neglected; and, in many countries, less than half the population has access to adequate sanitation or essential medicines.

36. The current global trends and multiple crises are set to have profound implications for public health. Countries that are particularly at risk include countries that have required emergency assistance and those that depend heavily on donor funding for health. Countries affected by or emerging from conflict, or those with few financial reserves, weak institutions or damaged infrastructure are especially vulnerable. Others, particularly small island developing States, storm- and drought-prone countries and countries with extensive low-lying areas, have to face the economic downturn while coping with the imminent impact of climate change.

37. While the impact of the current crisis is still being analysed, experiences from the past suggest that the health of, as well as health services for, populations will worsen as unemployment rises, safety nets for social protection fall short, savings and pension funds erode and health spending drops. Many private health insurers will be forced to operate under tight margins, with the likely consequence of higher premiums and a reduction of benefits offered. The International Labour Organization estimates that more than one third of the global population has no possibility of receiving the health services it needs. Non-communicable diseases will likely increase. Prospective issues include mental illness, depression and anxiety and a possible jump in the use of alcohol and other harmful substances, owing to increased stress. The crisis requires special attention to the health impact on vulnerable populations, women, the elderly, and the young.[12]

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[11] This section draws upon World Health Organization information note/2009/1, 21 January 2009, "The Financial Crisis and Global Health", report of a high-level consultation, Geneva, 19 January 2009.

[12] World Health Organization, *Closing the Gap in a Generation: Health Equity Through Action on the Social Determinants of Health: Final Report of the Commission on Social Determinants of Health* (Geneva, WHO Press, August 2008), available at http://www.who.int/social_determinants/thecommission/finalreport/en/index.html.

38. Financial and economic policies are very closely linked with public health. The size of overall public spending influences the total amount allocated to the health sector. Spending allocations to education, water and sanitation are also critical, and economic growth, together with distribution, has a major impact on other key determinants of health, especially nutrition and education. The nature of many health interventions also makes them particularly sensitive to fiscal adjustments. Because of the imperative of ensuring continuity in services and the supply of drugs for treating major diseases, temporary reductions or interruptions in funding can have serious consequences for health outcomes. The nature of health spending, including the complexity of training and recruitment, increases the importance of predictable and forward-looking budgetary planning. Fiscal consequences from the current crisis thus have the potential to severely affect the health sector.

39. Public-health and social policies are equally interrelated. For example, the possible higher cost of health care will make health-care services less accessible to many people, which will have significant social and economic repercussions. There are especially close links between health, the labour market and income generation, since healthier workers have a higher productivity, and labour supply increases with lower morbidity and mortality. Loss of employment, on the other hand, results in loss of employment-linked health benefits.

40. Ultimately, all social determinants of health, such as nutrition, education and living and working conditions, could be impacted by the current multiple crises, while climate change poses increasing threats to health and the social determinants of health.

41. There is evidence that, in times of economic hardship, social cohesion comes under threat through increased social tensions and violent conflict. Each year millions of people die as a result of injuries caused by violence. Many more survive their injuries, but with permanent disabilities.

42. Public health provides a strong peace dividend in the aftermath of conflict. Many national and international practitioners have identified support for the provision of basic services, particularly in the area of health, as a recurring priority in countries emerging from conflict. While health initiatives alone cannot lead to the consolidation of peace, providing health care to populations living in war-torn areas is one way to strengthen reconciliation.[13] Early integration of public health into peacebuilding strategies and programmes is critical in order to ensure the continuation of efforts towards recovery and long-term development. Clear mechanisms and procedures for describing the health situation in peacebuilding settings should be developed.

A. Impacts on health spending

43. In recent years, several countries, notably in Africa, have taken advantage of economic growth and increased aid levels to raise health spending. That has facilitated progress towards achievement of the health-related Millennium Development Goals. The current crisis could put those achievements at risk and

[13] Fafo Institute for Applied International Studies, Health and Conflict: Developing a knowledge-based foreign policy agenda, May 2008.

jeopardize future progress on health-related and other Millennium Development Goals.

44. The current crisis could affect health spending in several ways: slower economic growth may reduce overall public spending, including for health; access to capital may become more difficult as interest rates and risk premiums rise; and there is a likelihood of downward pressure on aid.

45. Past experience shows that, in times of economic downturn, some Governments opt to protect health spending or even increase it, while others shift away from investments in the social sector, often harming public health, development and security. In cases where health financing is reduced, financial barriers exclude the poor and the vulnerable from services, affecting many women and girls. Preserving health spending, in particular for the most vulnerable, is critical in times of crisis in order to ensure equitable access to care.

46. To reduce inequities in health and improve access to health services, efficient health protection pillars include responsive national health services, national health insurance and social or community-based insurance. Social protection in health involves financing mechanisms such as tax-funded health financing, including conditional cash transfers and vouchers; national and social health insurance, and private health insurance, such as community-based and employer schemes. Affordable social health protection should be promoted.

47. Aid for health more than doubled between 2000 and 2007, from $1.58 billion in 2000 to $4.34 billion in 2007.[14] Those levels of aid should be maintained. While the focus needs to be on achieving results, in times of crisis it may be the "poor performers" who need the most help. Aid effectiveness should also be a priority. Increased efforts to implement the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (A/63/539, annex) are particularly important, as aid recipients need predictable and flexible funding that is aligned with national priorities.

48. The current crisis comes at a time when more actors are involved in the health sector and the types of financing mechanisms are more diversified. Such mechanisms include collective business initiatives, multi-stakeholder or public-private partnerships, innovative financing mechanisms, research and development alliances and integrated health system initiatives that rely on income from investments.[15] While those have allowed increased funding for the health sector, they are inherently pro-cyclical; thus their revenues are likely to fall during a recession. Sustaining funding for health through official development assistance will be crucial in the current time of crisis if low- and middle-income countries are to achieve the Millennium Development Goals. To engage private industry and individuals to finance the battle against HIV/AIDS, tuberculosis and malaria, the International Drug Purchase Facility, UNITAID, has announced a new initiative with chief executive officers of the online travel industry to allow air travellers booking online to make a $2 per flight donation to HIV/AIDS, tuberculosis and malaria efforts worldwide.

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[14] Organization for Economic Cooperation and Development, Development Cooperation Directorate, online statistics.

[15] More data is needed on the effect of the economic downturn on faith-based and community organizations and other non-State providers of health care.

49. The multiplication of actors poses the risk of increasing fragmentation of strategies and policies. Vertical programmes have succeeded in attracting funds and making progress in their respective areas, but a more balanced approach will be required so that improvements are also made in health systems and basic health care.

50. The effects of the crisis on the balance of payments, through reduced export revenues and capital flows, as well as on exchange rates and inflation, also have an impact on health. The price of imported medicines, raw materials and medical equipment tends to increase with inflation and devaluation. Those dependent on long-term treatment particularly risk progressive impoverishment. Changes in the availability and cost of treatment can happen relatively quickly amid a rapidly worsening economic environment. Mechanisms such as the International Drug Purchase Facility, UNITAID, the GAVI Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria are significantly lowering prices for specific medicines and vaccines. Generic drug substitution can also counter cost increases.

51. The need to contain medical costs can also present an opportunity to increase efficiency, for example, by seeking synergies between different programmes, such as tuberculosis and tobacco control, and increasing the use of communication technologies.

52. Leaders in developed and developing countries, as well as international financial institutions, have made strong public political commitments to health and development. Member States of the Organization for Economic Cooperation and Development and the European Union have made pledges to sustain their current level of aid. The Thirty-fourth Summit of the Group of Eight, held in Toyako, Hokkaido, Japan, from 7 to 9 July 2008, focused on health as a key area, setting forth the Toyako Framework for Action on Global Health. Aid from Group of Eight countries, however, is already lagging well behind the targets agreed to at the Group of Eight summit in Gleneagles, Scotland, in 2005. Even before the present crisis, projections suggested a need for an additional $34 billion in 2007 dollars by 2010 in order to meet the Gleneagles targets.[16] On the other hand, even if aid flows increase, if spending is restricted, as reported, for programmes supported by the International Monetary Fund in low-income countries of sub-Saharan Africa,[17] there will be limited health benefits.

53. In response to the call by the Secretary-General for action, an intergovernmental high-level task force on innovative international financing for health systems was launched at the high-level event on the Millennium Development Goals on 25 September 2008. The task force will explore ways to encourage non-traditional donors and voluntary levies earmarked for health in poor countries, as well as ways to front-load official development assistance, and report to the Group of Eight summit to be held in La Maddalena, Italy, in July 2009. The final report will be available to the General Assembly in September 2009.

[16] Organization for Economic Cooperation and Development, Development Assistance Committee, *Aid Targets Slipping out of Reach?*, November 2008.

[17] Independent Evaluation Office of the International Monetary Fund, *The IMF and Aid to Sub-Saharan Africa*, 2007.

54. Overall, there is considerable scope for building awareness of the ways in which the current crisis affects health spending. A stronger evidence base, including gender-sensitive data, is needed to show the economic benefits from sustained investments in health, including the health of women.[11]

B. Change in household health-seeking behaviour

55. The most common effect in times of economic downturn is for households increasingly to seek health-care services from public sector providers. It is also likely that the need for health care will increase over time, particularly among poor households, owing to impacts on such aspects as nutrition and living environments. Unless public sector services are ensured adequate financial support in those circumstances, quality of care is likely to deteriorate at a time when publicly funded services are under pressure. That may be exacerbated by the possible risk of a "brain drain" of health professionals, which could be caused by the expansion of health services in developed countries under their stimulus packages while lower-income countries contract their health services under austerity programmes.

56. Often, many of the household health-seeking consequences of recession are hidden. For example, unemployment will have health consequences, owing to the loss of income and access to employment-linked health insurance schemes. Also, the first care likely to be dropped is funding for sexual and reproductive health and prevention of HIV and sexually transmitted infections. Individuals, particularly women, and households will be challenged to pay the user fees and costs of catastrophic illness. That will almost certainly negatively affect health-seeking behaviour and the utilization of health services, especially in the poorest quintiles, further deteriorating the health status of those populations. Other implications may include women dropping out of family planning programmes and services as a result of increased out-of-pocket expenses and a general increase in the overall price of sexual and reproductive health services, particularly contraceptives.

57. By reducing out-of-pocket health-care costs and promoting the utilization of health services, the availability of some payment mechanism for health — tax-based, insurance-based or, more typically, a mix — can reduce the impact of health shocks on households. During a financial and economic crisis, access to risk pools provided by taxation or health insurance for poor households can be critical; where the poor cannot pay, government or official development assistance contributions are vital.

58. Cash transfers, either conditional or unconditional, are another way of providing cash for poor families. Some of the most common conditions used to encourage health behaviours focus on health-care check-ups and the provision of nutritional needs, although unconditional transfers targeting women have been shown to result in increased spending on the health of their children. Cash transfers perform well in smoothing consumption by recipients during crises and in ensuring continued investment in health. A common drawback of all such targeted schemes is that they tend to be relatively unresponsive to changes in the need for assistance.

C. Opportunities for collaboration between and within countries to minimize negative impacts

59. The current financial and economic crisis is likely to affect health outcomes in a number of ways. Fiscal pressures are likely to lead to lower levels of health spending. The incidence of illness may be higher because of increased exposure to risk factors, both physical and psychological. The crisis changes the relative prices of commodities, which in turn will change household consumption patterns. Some health-care inputs have high import components, for example, pharmaceuticals, the prices of which are likely to increase substantially and the availability of which may decrease. Moreover, changes in employment patterns and incomes that occurred as a result of the crisis are likely to have an effect on health outcomes and the demand for health care.[18]

60. Suggested areas of action to ensure that the public health sector is protected from the negative impacts of the multiple crises are:

(a) **Implementation of large-scale internationally coordinated fiscal stimulus packages that are mutually reinforcing must be directed towards health goals and other Millennium Development Goals. A small percentage of the fiscal stimulus packages of developed countries could be allocated to low-income/adversely-affected countries;**

(b) **Government health spending should be maintained in times of crisis. Macroeconomic responses should be pro-poor and geared towards minimizing impacts on poor households. A challenge is to strike the right balance between essential curative services and preventive programmes;**

(c) **Countries should maintain their commitments to increase their aggregate level of aid. Aid for health and related sectors should be sustained so as to achieve the health-related Millennium Development Goals by 2015. Tapping innovative sources of funding should be further explored in order to raise additional funds for health. Implementation of the principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action in the health sector are vital, as greater predictability of external financing becomes crucial;**

(d) **The response to the crisis needs to be multisectoral and requires the development of integrated health policies and programmes. Policy coordination will be required across several sectors — linking policies that stabilize prices, reducing the cost of buying food, helping people maintain health insurance payments and keeping children in school. Aiming to provide access to universal health care is a crucial component of that mix;**

(e) **In a time of economic downturn, the demand for public services will increase as patients tend to rely more on public sector provision. The public sector should have adequate financial and human resource support;**

(f) **Rigorous analysis and monitoring of the implications of the current crisis on health and development are needed, including through regional collaboration, in order to mitigate and manage problems as soon as possible;**

[18] The Health, Nutrition, and Population Family of the World Bank's Human Development Network, *Health Care During Financial Crisis: What can we Learn from the Indonesian National Socioeconomic Survey?*, discussion paper, July 2000.

(g) **Governments should recognize the role of civil society organizations as service providers and advocates and should fully integrate the resources and services they provide to national health systems;**

(h) **Public health is key in peacebuilding efforts to ensure long-term peace and sustainable development.**

V. Managing the impact of current global and national trends

61. Since October 2008, policymakers in developed countries have implemented various emergency plans. Massive public funding was made available to recapitalize banks, making Governments active players in financial markets through their partial or full ownership of failed financial institutions. In addition, after an aggressive loosening of monetary policy, fiscal policy measures have moved to the forefront in efforts to revive economic activity, with a number of countries having passed major fiscal stimulus packages.

62. The United Nations System Chief Executives Board for Coordination has also announced a joint initiative to assist countries and the global community to overcome the crisis. On 5 April 2009, the Board announced nine joint initiatives to confront the multiple facets of the crisis and to accelerate the recovery. They include: (a) additional financing for the most vulnerable, through a joint World Bank-United Nations system mechanism, including through the vulnerability fund proposed by the World Bank; (b) the strengthening of programmes on food security; (c) the promotion of trade, including through the conclusion of the Doha round; (d) a green economy initiative; (e) a global jobs pact; (f) a social protection floor; (g) emergency action on meeting humanitarian needs and shoring up security and social stability; (h) the development of technological infrastructure to facilitate the promotion of and access to innovation; and (i) the strengthening of macroeconomic and financial surveillance and the implementation of an effective economic early warning system, as well as the urgent establishment of a United Nations systemwide vulnerability monitoring and alert mechanism.

A. Short-term measures at the global and national levels

63. **Government stimulus packages, though intended to reactivate the global economy, should be aligned with long-term sustainable development goals. Developed countries can make investments in infrastructure, renewable energy and energy efficiency as part of the fight against climate change. Similarly, developing countries can also align new fiscal stimuli with their long-term development goals.**

64. **Additional stable and predictable foreign aid flows will also be needed. Developed countries should meet their aid commitments without further delay. In addition, more stable aid flows should be achieved through enhanced donor coordination and multiannual agreements on levels of support to low-income countries. Direct fiscal support to developing countries that are suffering from severe fiscal constraints can be most effective in the current crisis situation.**

65. **Substantial increases in international liquidity and development financing are needed for developing countries to be able to refinance their outstanding debt and to cover fiscal and balance-of-payments gaps.**

66. **The increase in resources can be mobilized through issuing new special drawing rights, pooling international reserves, enhancing the lending capacity of multilateral development banks and accelerating delivery on existing aid commitments.**

67. **Additional financial resources should be provided, without procyclical policy conditionality, and such resources should be geared towards improved aid effectiveness and better aid predictability.**

68. **At the national level, efforts must be strengthened to avoid contraction of social spending, including on social protection, social safety nets, employment, education and health.**

69. **Even in low-income developing countries, a basic package of State-financed social transfers can be designed to mitigate the impact of the crisis on the poor and the vulnerable and should be seen as part of a long-term agenda of investing in people. It can also provide a significant fiscal stimulus to the economy.**

70. Although the precise impact of the crisis on international migration and remittances is still uncertain, there are already clear indications that many migrants have a high probability of losing their jobs and income, with commensurate effects on the flow of remittances, which form an important source of income to many poor families in the developing world. **The world community should ensure that the crisis does not lead to a backlash against migrants in receiving countries or an imposition of further restrictions on migration.** Such restrictions are usually imposed on unskilled workers and tend to exacerbate the suffering of poor people.

71. **With regard to health, a focus on primary health care and universal coverage, with an essential package of highly cost-effective interventions and services that focus on prevention, is necessary.**

72. **Alignment of fiscal stimulus packages with health goals and other Millennium Development Goals could include investments in capacity-building and the training of health professionals; service delivery, with a special focus on primary health care, including infrastructure; and information and knowledge tools designed to promote public health goals.**

73. **In terms of food security, there is a need to meet the immediate needs of vulnerable populations while at the same time building longer-term resilience by addressing underlying causes.** In the case of food and agricultural output, long-term investments include the expansion of rural infrastructure and the improvement of market access, as well as the conservation and replenishment of natural resources.

74. **In the short term, technical support is needed for taking immediate steps to improve the availability of and access to nutritionally adequate quantity and diversity of good quality, safe food and to provide nutritional support for the most food insecure and nutritionally vulnerable.** Investing in nutrition is one of the best strategies to implement in the current crisis, as it raises the growth prospects for developing countries in both the short and long terms owing to its positive impact on productivity, health and education.

75. **Successful agricultural policies can contribute to good health by producing both the food and the income needed for well-being, and successful health policies can benefit agriculture by protecting the agricultural labour force against disease.** For example, antiretroviral therapy to reduce the effects of HIV is one of the most important labour-saving technologies in African agriculture. A diversified agriculture, in turn, leads to greater resilience and an increased ability of farmers to respond to health problems. Diversification of rural economies into non-agricultural production is also needed as a means of reducing poverty.

B. Medium-to-long-term measures

76. **At the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008, Member States agreed that the Bretton Woods institutions must be comprehensively reformed so that they become more democratic and more responsive to current and future challenges. That decision should be pursued vigorously so as to increase the voice and the votes of the poorest countries.**

77. **The international community should recommit itself to the expeditious conclusion of the Doha round of trade negotiations, with pro-development outcomes. All efforts should be made to ensure that the world does not resort to protectionism and unfair trading practices.**

78. **Special funds or funding should be earmarked to ensure that spending on social areas is commensurate with the challenges of development, particularly in the area of human resource development.**

79. **Risk pooling in health should be strengthened, for an essential package of prevention and primary health-care services, through national single-payer arrangements, national and other forms of health insurance or other risk-pooling arrangements, coupled with modern approaches to results-based financing.** Where possible, user fees for primary health services, in particular for family planning, HIV and maternal health services, should be abolished. Abolishing user fees for education, in particular for primary education, would also be highly beneficial.

80. **Monitoring and health surveillance should also be strengthened in order to rapidly detect health impacts, and high-level mechanisms to mitigate impact should be put in place. An early alert system should be put in place in order to monitor the impact of the crisis on health systems and health conditions and to improve the coordinated response so as to mitigate the impact on the most vulnerable groups.**

81. **It is vital to increase the equity and efficiency of health systems in order to improve the access of women to health services, including reproductive health services, and to reduce the burden of caregiving on women.**

82. **There is a need to strengthen capacity to design and implement agricultural technologies and best practices for scaling up interventions that improve the quality and diversity of foods as well as increase agricultural incomes and employment.**

83. Support should also be given to the incorporation of nutritional considerations into agricultural research and the adoption of technologies, and to the transfer and diffusion of varieties and proven small-farmer community-based technologies and techniques that will lead to better nutrition. There is a need to strengthen capacity to design and implement social protection policies and safety net programmes that protect and promote nutrition. There is also a need for building national institutional capacity to support nutrition and food safety policies and programmes.

84. The integration of gender perspectives into aid modalities and efforts to enhance aid delivery mechanisms should be encouraged. That involves using gender-responsive budgeting more effectively in order to ensure adequate resource allocation for the health of women in the context of the financial crisis. There is also a need to assess the economic costs of lack of attention to violence against women and to make health services more responsive to the prevention and treatment of violence against women. It is also important to enhance the capacity of national statistical systems to produce sex-disaggregated and gender-sensitive data for all health-related indicators, and to disseminate gender statistics widely in order to develop evidence-based, gender-sensitive social development policymaking.